



December 18, 2012

Ms. Sheryl Montgomery, Senior Administrative Analyst
City of Anaheim
201 S. Anaheim Boulevard, Suite 1003
Anaheim, CA 92805

Dear Ms. Montgomery:

Subject: Recognized Obligation Payment Schedule

This letter supersedes Finance's Recognized Obligation Payment Schedule (ROPS) letter dated October 13, 2012. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Anaheim Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS III) to the California Department of Finance (Finance) on August 30, 2012 for the period of January 1 through June 30, 2013. Finance issued its determination related to those enforceable obligations on October 13, 2012. Subsequently, the Agency requested a Meet and Confer session on one or more of the items denied by Finance. The Meet and Confer session was held on November 28, 2012.

Based on a review of additional information and documentation provided to Finance during the Meet and Confer process, Finance has completed its review of the specific items being disputed.

- Item No. 88 – Packing District/LAB Disposition and Development Agreement (DDA) in the amount of \$1.2 million. Finance continues to deny the item. Finance denied the item as there were no contracts executed prior to June 27, 2011, as per HSC section 34163 (b). Additional review of the DDA indicates the parking and alley construction were specifically intended as evidenced by Recital C of the DDA and a Planning Commission Report dated June 21, 2010, demonstrating the need for the parking construction. In addition, per Section 301.2 of the DDA, "Cost of Construction," the former Redevelopment Agency (RDA) is responsible for the costs related to the parking and alley construction. We note, however, no contracts are in place for the construction and the Agency did not provide documentation that supports the property has been transferred to the developer. Unless and until the property has been transferred and a contract is awarded for these costs, the Agency is not eligible for funding from Redevelopment Property Tax Trust Fund (RPTTF) for this item.
- Items Nos. 94, 97, and 105 – Colony Park Phase III, Phase IV, and Anaheim Boulevard residential, respectively, totaling \$14.125 million. Finance continues to deny the items. Finance denied the items as no contracts were entered into before June 27, 2011, as per HSC section 34163 (b). Although first time homebuyer loans are expressly allowed by the respective DDAs, the Agency did not provide documentation supporting these loans have been made. If no loans are made, there is no financial liability on the

Agency. Therefore, unless and until the loans are made and supporting documentation of the loans is submitted to Finance, these items are not eligible for RPTTF funding.

- Items Nos. 114 and 115 – Avon Dakota Revitalization totaling \$16.3 million. Finance continues to deny the items. Finance previously denied the items as no contracts were in place and per HSC section 34163 (b) the Agency cannot enter into contracts after June 27, 2011. The Agency contends this item is in continuance of a DDA executed June 1, 2012. However, the DDA referenced is between the Anaheim Housing Authority and a third party. The former RDA is not a party to the contract. Section “M” of the DDA states that pursuant to separate cooperation agreements, the Authority was anticipated to be allocated funds from the City and/or the former RDA. Additional documents do not support the amount claimed on the ROPS III; therefore, Finance determines this does not create an enforceable obligation on the former RDA. In addition, any cooperation agreements entered would not be considered enforceable pursuant to HSC section 34171 (d) (2). Therefore, the items are not enforceable obligations.
- Item No. 137 – Co-op Agreement (Reimbursement of Costs) in the amount of \$34,665,752. Finance no longer objects to the item; however, Finance reclassifies the item as an administrative cost. Finance denied the item as it is a contract, agreement, or arrangement between the City and the former RDA. Finance determined that, although this is an agreement between the City and the former RDA, it is for staff salaries and fringe benefits. However, the duties performed are general in nature and are hereby reclassified as administrative costs counting towards the administrative cost cap.

The requested amount of \$261,168 increases the administrative costs requested to \$1,142,209. Therefore, claimed administrative costs exceed the allowance by \$72,586. HSC section 34171 (b) limits fiscal year 2012-13 administrative expenses to three percent of property tax allocated to the successor agency or \$250,000, whichever is greater. As a result, the Agency is eligible for \$1,069,623 in administrative expenses. The county auditor controller distributed \$0 for administrative costs for the July through December 2012 period, thus leaving a balance of \$1,069,623 available for the January through June 2013 period. Therefore, \$72,586 of excess administrative cost is not allowed.

In addition, per Finance’s ROPS letter dated October 13, 2012, the following item continues to be denied and was not contested by the Agency:

- Item No. 125 – Cooperation Agreements totaling \$20 million. This agreement is between the City of Anaheim and the former redevelopment RDA. HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the city that created the RDA and the former RDA are not enforceable.

The Agency’s maximum approved RPTTF distribution for the reporting period is \$21,577,641 as summarized below:

Approved RPTTF Distribution Amount For the period of January through June 2013	
Total RPTTF funding requested for obligations	\$ 29,368,046
Less: Six-month total for item(s) denied or reclassified as administrative cost	
Item No. 88	658,190
Item No. 94	1,045,000
Item No. 97	2,500,000
Item No. 105	500,000
Item No. 114	1,600,000
Item No. 115	295,670
Item No. 125	2,000,000
Item No. 137 *	261,168
Total approved RPTTF for enforceable obligations	\$ 20,508,018
Plus: Allowable RPTTF distribution for administrative cost for ROPS III	1,069,623
Total RPTTF approved:	\$ 21,577,641

* Reclassified as administrative costs.

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS III form the estimated obligations and actual payments associated with the January through June 2012 period. The amount of RPTTF approved in the above table will be adjusted by the county auditor-controller to account for differences between actual payments and past estimated obligations. Additionally, these estimates and accounts are subject to audit by the county auditor-controller and the State Controller.

The amount available from the RPTTF is the same as the property tax increment that was available prior to enactment of ABx1 26 and AB 1484. This amount is not and never was an unlimited funding source. Therefore, as a practical matter, the ability to fund the items on the ROPS with property tax is limited to the amount of funding available to the successor agency in the RPTTF.

Except for items disallowed as noted above, Finance is not objecting to the remaining items listed in your ROPS III. Obligations deemed not to be enforceable shall be removed from your ROPS. This is Finance's final determination related to the enforceable obligations reported on your ROPS for January 1 through June 30, 2013. Finance's determination is effective for this time period only and should not be conclusively relied upon for future periods. All items listed on a future ROPS are subject to a subsequent review and may be denied even if it was or was not questioned on this ROPS or a preceding ROPS.

Please direct inquiries to Evelyn Suess, Dispute Resolution Supervisor, or Danielle Brandon, Analyst, at (916) 445-1546.

Sincerely,



STEVE SZALAY
Local Government Consultant

Cc on the following page

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cc: Mr. Jeff Kirkpatrick, Administrative Manager, Orange County Community Resources
Mr. Frank Davies, Property Tax Manager, Orange County Auditor-Controller
California State Controller's Office